

THE EXTERNAL AND INTERNAL FACTORS THAT CONTRIBUTE IN DEVELOPING THE UNITED ARAB EMIRATES (UAE) FAMILY BUSINESSES- ACCOUNTANTS VIEW

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ABSTRACT

This study is aimed at emphasizing the importance of modernizing the organizational and managerial basis, in the family businesses. In specific, on the external and internal factors that contribute in developing the family businesses in UAE, and knowing the extent of the application of relative important concepts.

For realizing these aims, the researchers have been aware of the previous studies, on this subject. To analyze the aims of the study, the researchers designed a questionnaire containing different questions, measuring such aims. The researchers then analyzed the study data, using SPSS and found the correlation for each internal, and external factor of the business family.

The finding of data analysis showed that, the factors are applied on family business of U.A.E., by the family business that is significant of business. Depending upon the results of the study, the researcher recommends that, there should be more studies on laying down factors, for U.A.E and other research in accounting

KEYWORDS: *Family businesses, Developing the family & Businesses Accounting*

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INTRODUCTION

LITERATURE REVIEW

Transitioning, a family business is a delicate, time consuming and potentially hazardous undertaking. There are numerous tax and non-tax factors, to consider. When embarking on this journey, consider the following suggestions: Give deference to the unique talents, interests and needs of each family member. Empathize with those who contribute to the success of the business. Buy out non-active family members. Taxes should not be the driving force, in developing a succession plan. Get expert advice. Communicate the plan. Revisit the plan. James Weller (2005)

Schmidt, R and Parker, C (2003) paper looked at differences in motivating factors, personal variables in the make-up and background of entrepreneurs, as well as in business and structural variables, related to the small- to medium-sized enterprises, run by men and women. Findings show clear gender-related differences, in terms of educational background, family support and attitudes and ambitions, as well as related to the availability of start-up capital, networking opportunities and the related maturational variables of turnover, return on investment and

growth rates.

Devitt, R and Hise, J (2002) study, attempted to extend the literature in ethics research, by developing and testing a model of an individual's ethical system, which identifies the sources of influence on the decision process. The model is developed from an interdisciplinary literature review and includes six subsystems or spheres that exert influence on an individual: the workplace, family, religion, legal system, community and profession. Their study also examines the role of materiality, in the decision-making process. Using this model, empirical tests identify the spheres that exert the most influence, on the decision-maker facing an ethical dilemma. In addition, the relative importance of the spheres and the interaction among the spheres is examined.

Research was conducted to identify the key ingredients, in developing a positive interface with the entrepreneurial market. High priority elements fall into five categories. Administrative aspects include analyzing the current banking program, developing a business plan, developing advisory boards and forming a coordinated program, Huck, A (1988). The marketing program should consist of research, development of strategies and coordination among departments, calling programs, networking, and proper staffing of the marketing department. Product issues involve being aware of market needs, assigning responsibility for product development and finding alternative product sources. Personnel factors include stable personnel, training leadership, proper incentive programs and proper staffing. The delivery system must focus on development of the client relationship, responsiveness, exposure to various areas of the bank and consistent lending policies Huck, A (1988). Rubenson, G and Gupta, A (1996) article, attempted to improve the understanding of the key milestone, in the life of the organization, by developing a basic contingency model to help conceptualize the interplay between the evolving organization and the unique characteristics of the particular founder.

Levitt, D (2005) has argued that, Childhood is the time when some children come to see business ownership, as an entitlement, part of their birthright. Other children come to see future leadership as an obligation, as the only way to please mom and dad. One of the best ways to help children develop into responsible adults and capable business owners, is to make sure that, they spend some time in the real world of adults, away from their parents.

Lambrecht, J (2005) study revealed that, an explanatory model for transfer of family businesses to following generations. His research using 10 case studies shows that, transfer of family businesses is a lifelong, continuous process, in which the family must address and foster the soft elements of the transfer process: entrepreneurship, freedom, values, outside experience, upbringing, and education. Furthermore, a business family can develop into a family dynasty, only when it embraces sound governance as a fundamental principle; that is, the individual family member belongs to the family, which belongs to the business.

Yung, N (1998) and several others have discussed the women business. Although, much has changed in the western working world, women still face a glass ceiling in their climb and they still bear primary responsibility, for home and family chores. These and other factors lead to higher levels of stress, among women than men. Women can help their own case, by recognizing and exploiting their superior abilities, in interpersonal relationships and developing service-oriented businesses. Organizations can help women, by providing better mentoring, guidance, and training opportunities, and by increasing their sensitivity to work-home conflicts Yung, N (1998).

The past decade has emerged as the era of women entrepreneurs. Such women no longer command attention because, they are unusual, but because they are important. They are no longer seen as followers, but as leaders; they are no

longer viewed, as confined to certain businesses, but as innovators across the full range of business and commerce. Nowhere, is this phenomenon more profound than in the United States, where women are starting businesses faster than in other countries. Bender, S (2000) Schmidt, R and Parker, C (2003)

Obata, S (2002) and several others have discussed the management side of the family business. As increasing numbers of family-owned newspapers are purchased, by large corporations, a corresponding shift in the way these papers are managed occurs. A basic overhaul in the organizational culture could be crucial to the paper's continued well-being. At one southeastern newspaper, a program was implemented, that involved training and developing the managers and editors, decentralizing the goals process, to allow rank-and-file participation, cross-training employees in different departments, and creating a projects team, from all major departments to solve organizational problems. Obata, S (2002). John L. Graham of the University of California at Irvine warns that, unless human resources (HR) policies are changed, businesses will be developing corporate strategies that, they cannot implement. Not only will expatriates be unhappy, if they are given jobs that they cannot perform, but the company will also waste a great deal of money. Such cultural differences, as making eye contact knowing when to smile, and using formal or informal names dramatically affect business negotiations and interpersonal relationships abroad. HR departments must not ignore family issues and ongoing support, in the host country is as important. Solomon, C. (1994)

Higgins, M. (1995), has advocated a comprehensive overview of the family limited partnership valuation process is presented, with particular attention paid to the process of developing and applying appropriate valuation adjustments. Some of the specific factors, which influence the magnitude of these adjustments, are also discussed. An attorney's perspective is provided, in the form of an interview with a widely recognized estate planning/ litigation specialist. Some important recent developments, in the area of family limited partnership valuations are examined.

Schmidt, R and Parker, C (2003) paper looked at differences in motivating factors, personal variables in the make-up and background of entrepreneurs, as well as in business and structural variables, related to the small- to medium-sized enterprises, run by men and women.

Business groups are a prevalent form of corporate organization in developing countries, around the world. A family often controls all firms, in such groups via a pyramid structure. Obata, S (2002) has described a model in which, the ultimate owner of a group of firms may prop up a firm experiencing financial distress, a model which suggests that trust and legal governance are key factors, determining the size and the quality of the nonprofit sector. He tested these predictions, by using a new data set on nonprofit sectors around the world. Consistent with the predictions of the model, he found the positive effects of the level of trust and the common law origin, on the performance of the nonprofit sector. In contrast to most literature about corruption in the public sector, corruption does not always prevail.

The DCCI and DUC were jointly hosting "Dubai Family Business Forum" in April 2006. The Main topics of the forum are grouped under three core areas stated below:

- Identify the risks of globalization and the international trade agreements and their impact on the future of family business.
- Emphasizing the importance of modernizing the organizational and managerial basis in the family businesses, in order to secure persistence across the generations.

- Evaluation of merge and transfer the family businesses to joint stock businesses and enter the financial market.

The initial succession away from the founder in maturing firms has received moderate research attention, particularly in the family business literature. However, most studies have focused on individual factors and their effects on various outcome measures, without developing comprehensive, conceptual underpinning of internal and external factors as this study aims. In addition, those factors are viewed by accountants and owners of UAE business. The current study is going to develop the Bender, S (2000) study and defined the internal factors, concerned the accounting purposes. Bender, S (2000) focused on generalizability and applicability of the resulting model, and its findings describing the entrepreneur under seven distinct characteristics categories: demographic, economic, support, personal, professional, political and social highlighting specific dimensions, in previous research

THE AIMS OF THE RESEARCH

This study aims at attaining the following:

- To know to what extent are the factors, that related to business families are applied as per the following: To know the extent to which the type of business; economy, education, and service in U. A. E, to know the extent to which the relative owner; male or female in U. A. E, to know the monthly income of the family business in U.A.E., to know the age of the owner.
- To know to what extent the external factors and internal factors contribute, in developing the family business in U.A. E. Those factors are grouped in to two: 1-7 are the external factors, and from 8-13 are the internal factors.

Significance of Study

The importance of the researcher study is clear from the following points.

- The factors that contribute in developing the family business U.A.E. help the entrepreneurs, to identify and analysis the obstacles that may meet them in their work and the attempt to find suitable solutions, without affecting his status in cooperation with the others.
- To guarantee the achieving beneficiaries goals, through the defined and analysis those factors in line with the U.A.E. laws and legislations.
- To show the importance of the family business awareness of the laws, conforming to the international standards related top planning.
- To highlight the importance of factors, in realizing the customer goals subject to business family by accountants, auditors and others, which help them in realizing these goals?
- There are so many places that can benefit from this study and be aware of the importance of the factors through the attained results and recommendations. Such places can be the accountants, auditors, banks, legal auditors association, auditor's board in U. A. E., researchers and students
- To impart importance on the relative importance as a major factor in setting the general contributions for accountants, auditing, others in U. A. E. and its role in the activation of family business planning.
- To activate the role of factors risks and its effect on directing the family business, to obtaining the results with the

least allowed percentage of risks in family businesses.

Study Problem

The success of defining and analyzing depends on the integration of its factors and parts with good application and execution of every factor, to attain the researcher goal in completing the shortage, in not handling the business family by the research and their lack of scientific and theoretical study. As the factors depends on the integration of its factors and parts to obtain the final goal, and through studying the previous studies and what is being done, regarding the factors that, contribute in developing family business. The researcher has arrived to display the study through the following questions.

- Is the real factors and practical knowledge with the factors that contribute by the U. A. E. families business?
- Is there a real external and internal factor to the family business in UAE country?
- Are the family business aware of the external and internal factors of business family operations, that can lead to the investigating such paper of the UAE country?
- Is there an application, to the relative importance by the other researchers at this stage in UAE?
- Is there an application for such external and internal factors concept, in GCC countries?

The Study Hypothesis

Based on the previous studies and after looking at the external and internal factors, related to business family, the researcher applied External Factors: demography, economy, external support, external motivation, professional, political, and social as Bender, S (2000) suggested in her study, and through reviewing above research talking to some family business in UAE, the researcher has come to the internal factors: Educational background, Ambitions and attitudes of money wised, Family Support of funds, Start-up capital, Accounting and non acc. Information requirements and Capital Turnover and decide, to test the following: hypothesis: The researcher hypothesis examines the relationship between the six external factors, affecting the UAE business and this method also aims, to determining which of the external has most significant effect, on the external factors. Second hypothesis examines the relationship between the six internal factors affecting the UAE business and this method also aims to determining, which of the internal has most significant effect on the internal factors.

The Organizational Frame of the Study

The introduction comprises the goals, problem and hypothesis. The first part comprises revising all the previous studies in this field, together with summarizing the importance and results attained by the research workers.

In the attached part, the methodological study is presented in regard to the study community, sample and frame characters of the study sample, data collection method and statistical methods used in analyzing the data, changes and how they are measured. The last part comprises the presentation and analysis of data, and the testing of the study hypotheses and consequently the results, recommendation, references and supplementary.

RESEARCH METHODOLOGY

This section deals with the study society, statistical determination of the study sample, selection method, frame

work characters of the study sample, data collection and analysis, study data resources, statistical methods employed in analyzing the data, decision base in accepting or rejecting of hypotheses, hypothesis testing method and determination of the degree, to which family business is applied. Find below the explanation of each article from the above articles.

Study of the Business

The study business has been decided to include economy, education and service all that are practicing business in UAE respondents, and the no of answering the questionnaires, that are practicing businesses were some of them are working, in their private businesses and other who own the businesses.

This part represents the analysis of the first part on the questionnaire. It contains general information about the answering the questionnaires. It is composed of questions on the following information.

- Type of business: economy, education, and service
- Owners wither male or female
- Yearly income or monthly income
- Age of the owner 20-30, 31-40,41-50,51-60
- External Factors: demography, economy, external support, external motivation, professional, political, and social as Bender, S (2000) suggested in her study and
- Internal Factors: education, internal motivation, family support, investment, accounting information, capital turn over.

Besides 150 responses are from owner and accountant. Only simple descriptive statistical tools, such as averages, percentages, and frequency and correlations coefficient analysis (Pearson Correlation Sig. 2- tailed) have been used, to analyze the collected data. This approach allows the testing of the measurement model of the external and internal factors.

The result of information has been put in a table, while the table has been numbered in an ascending manner, this presentation give a general frame of the study, results in the second part of the questionnaire.

RESULT OF THE STUDIES

This section is concerned with examining the external and internal factors of the questionnaire. The following tables present frequently distribution related to the research support:

Table 1: Shows Distribution of Type of Business in UAE Family

Type Of Business	Number	Percentage	Cumulative Percentage
Economy	58	38.7 %	38.7 %
Education	27	18 %	56.7%
Services	65	43.3%	100 %
Total	150	100%	--

It is evident from Table No. (1) that, percentage Services, economy and education businesses are 43.3%, 38.7%, and 18%, consequently carrying out daily works are in the Study. This is due to fact that, they are more concerned with family business.

Table No (2): Gender

Gender	Number	Percentage	Cumulative Percentage
Male	102	68 %	68 %
Female	48	32%	32 %
Total	150	100%	100 %

Table No. (2) Shows Gender in the Family business. It is observed that, 68% are male and 32% are female. It represents almost 1/3 female to the male, in the sample of the study.

Table No (3): Age of the Owner

Age of the Owner	Number	Percentage	Cumulative Percentage
20-30	58	38.7 %	38.7 %
31-40	51	34 %	72.7%
41-50	21	14%	86.7%
51-60	19	12.7%	99.3%
61 and over	1	0.7	100%
Total	150	100%	

Table No. (3) Shows Age of the Owner in the family business. It is observed that, 38.7 %, 34%, 14%, 12.7%, and 0.7% are between 20-30, 31-40, 41-50, 51-60, 61 and over, respectively.

Table No. (4): Type of Family Income

Type of Family Income	Number	Percentage	Cumulative Percentage
1000-5000	46	30.7 %	30.7 %
5001-10000	35	23.3 %	54 %
10001-15000	27	18 %	72 %
15001-20000	40	26.7 %	98.7 %
20001- and over	2	1.3 %	100 %
Total	150	100%	

Table No. (4), shows the type of family income. It is observed that, 30.7%, 26.7%, 23.3%, 18%, 1.3% have income upto 5000, 20000, 10000, 15000, and over 20001, consequently.

Table No. (5) Shows Owners experience in the business sector. It is observed that, 36% have good and relatively long experience, ranging from five year to lesser than ten years, representing 33% of the sample. Also, author observe that, such number of years of experience is corresponding to the nature of accounting systems fields entrusted to them, in addition to their ability, to determine accounting fields.

Table No. (5): Number of Years of Experience in the UAE Business Sector

Years of Experience	Frequency Number	Cumulative Number	Percentage	Cumulative Percentage
1 - 5 years	33	33	33%	%
5- 10 years	36	69	36%	%
10- 15 years	12	81	12%	%
15 years & above	19	100	19%	100%
Total	100		100%	

Table No. (6): Educational Certificates in the UAE Business Sector

Educational Certificate	Number	Percentage	Accumulative Percentage
High School	36	36%	36%
Bachelor Degree	42	42%	78%
MBA	22	22%	100%
Total	1000	100%	

Most Owner and Accountants are holders of Bachelor Degree, representing 42%. 36% is high school, even though there are a number of MBA Degree holders representing 22%.

The Statistical Determination of the Study Sample and the Selection Method

The business family study comprises all the one hundred and fifty questionnaires entitled to practice business in UAE. due to the relative big size of the observers of the questions, the researcher has used the questionnaire method to study the business family study characters of the external and internal to reach to answers and hypotheses the questionnaire has been distributed (pilot study) to know the standard deviation and arithmetic mean to the research study. This will enable the researcher to know the size of the sample as part of the accuracy level and required trust and in a rational way. A pilot study has been used from hundreds random family business.

This section is concerned with examining the relationship between external factors that contribute in developing (UAE) family businesses by applying the correlation analysis. The external dimensions (Demography, Economic, Support, Personal, Professional, Political and Social) are the independent variables in their relationship. Result analysis shows that all of the external dimensions except Political, Professional were positively related to the overall score of external factors were ($P < 0.01$). Specially, the strongest correlation of the overall score of external service quality were (support and economic, personal and support, social and economic, and political and Professional) ($r = 0.432, 0.331, 0.316, 0.309$, $P < 0.01$). No significant relation was found between political and demography, economic, support ($r = 0.049, 0.023, 0.077$, 0.026 , $P > 0.01$). One possible explanation may be that, as revealed in their respondent political situation is so used in these factors and no meaning to the developments of UAE society.

Regarding internal factors, a significant positive relationship was found between all of the internal factors (Education background, Ambitions and Attitudes, Family Supports, Start- up Capital Information Requirements Capital Turnover). The result analysis reveals that the strongest correlates of Ambitions and Education, family support, start- up capital and information requirements, Ambition, capital turnover and Information requirements, and family support and Education ($r = 0.521, 0.453, 0.390, 0.347, 0.339, 0.336$, $P < 0.01$). The strongest correlates of interface were management effectiveness management support and job fit ($r = 0.583, 0.564, 0.555$ and $p < 0.01$) with regard to reliability, significant positive relationship were found with all the internal dimension of service quality except training ($P < 0.05$, 0.01). the strongest correlate of reliability was management effectiveness ($r = 0.583$, $P < 0.01$). The result analysis also shows that there is weakness relation between the internal factors; Capital Turnover, Ambition, and family support, Educational background Start – up capital, and information requirements ($0.117, 0.219, 0.139, 0.224$ $P < 0.01$).

In summary, the correlation analysis between the external and internal factors revealed that Economic, support, Professional, Political, and Social. Support have the strongest positive relationship with internal factors; family support,

ambition, Start – up capital, Information requirements, ambition, ($r=0.439, 0.411, 0.366, 0.350, 0.346, 0.339$ $P<0.01$). However, no significant relationship found between External Factors; Professional, Personal and Support, and Internal Factors; Capital Turnover, and Information Requirements ($r= - 0.113, - 0.009, - 0.004$ $P>0.01$).

CONCLUSION AND SUGGESTIONS FOR FURTHER RESEARCH

From the literature it appears that at the beginning of the twenty-first century the opportunities remain balanced with the barriers encountered by men and women wishing to move into and succeed in family businesses

I am aware of a number of limitations in the research. In my paper, I conducted interviews with several family members, Gender, age of the owner, type of family income, number of years of experience and education background, with owners, accountants, and managers, but not with external (e.g., consultants, outside directors, and employees). My explanatory model has been tested on a large scale. However, my method and findings show: services as a type of business, the dominant male, age between 20-30, up to five thousand as type of income, and the existence of the businesses between 5-10 years, and the education background is the bachelor degree in UAE family business.

The major finding show that support and economic is highest and strongest factors of the external factors of the group. UAE is developed country started with to many economic projects, which they need a long chain of family businesses throughout the resident people to go through them. UAE has ambitious plans to attract million, investors, visitors, and others. All of them have to go through the law that protect the resident and through out the residents.

Ambition with education is highest and strongest factors of internal factors of the group. UAE invests heavily in education, believing it to be the key to future prosperity in an increasing globalize economy. Government expenditure on education increased year by year.

The correlation analysis of the external and internal factors revealed that outside support and personal situation are the highest and strongest, and the education background and ambitions of family business is the second highest correlation. To what extent the results are true because, the UAE business family depending on supporting of the governments to the family from the law wise, supporting them with money projects and the whole economy developments.

Further research is needed to determine more clearly the extent to which these external and internal factors are perceived as relevant and applicable male and female in UAE businesses such as:

- The administrative and legal obstacles that face the family businesses and its negative impact on the possibility of the development and persistence of these businesses.
- The extent of law consistency to support the development and transformation of the companies.
- The necessity to introduce changes to corporate law that serves the role of the family businesses and its requirements.
- Seeking modern administrative and legal mechanisms that allow the development of the managerial tools/resources in the family businesses and the persistence of its existence and success.
- The factors that affect the growth and development of the organizational structure of the businesses.

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Questionnaire

The factors that contribute in developing the family businesses: United Arab Emirates as a Case Study

- **Type of Business:** Economy Education Service
- **Owner:** Male Female
- **Yearly Income** Monthly Income
- **Age of the owner:** 20-30 31-40 41-50 51-60 over

		Low				High
	External Factors					
1	Demographic:					
2	Economic:					
3	Support:					
4	Personal:					
5	Professional					
6	Political:					
7	Social:					
	Internal Factors					
8	Educational background					
9	Ambitions and attitudes of money wised					
10	Family Support of funds					
11	Start-up capital					
12	Accounting and non acc. Information requirements					
13	Capital Turnover					

